



*Final  
Report*

# County of San Diego, California

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**Auditor and Controller**

## **Assessor/Recorder/County Clerk Officers' Transition Audit**

Office of **A**udits & **A**dvisory **S**ervices

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**July 2009  
Report No. A09-037**



# COUNTY OF SAN DIEGO

## INTER-DEPARTMENTAL CORRESPONDENCE

July 22, 2009

TO: David L. Butler  
Assessor/Recorder/County Clerk

FROM: Kenneth J. Mory  
Chief of Audits

FINAL REPORT: ASSESSOR/RECORDER/COUNTY CLERK OFFICERS' TRANSITION  
AUDIT

Enclosed is our report on the Assessor/Recorder/County Clerk Officers' Transition Audit. The report includes various audit findings and recommendations.

We have reviewed your responses and have attached them to the audit report. The actions taken and planned, in general, are responsive to the findings and recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations.

If you have any immediate concerns about the report, please contact me at (858) 495-5662.

KENNETH J. MORY  
Chief of Audits

AUD:YM:aps

Enclosure

c: Donald F. Steuer, Chief Financial Officer  
Tracy M. Sandoval, Assistant Chief Financial Officer/Auditor and Controller  
Ebony N. Shelton, Group Finance Director, Finance & General Government Group



## **ASSESSOR/RECORDER/COUNTY CLERK OFFICERS' TRANSITION AUDIT**

In accordance with the County Charter, the Office of Audits & Advisory Services (OAAS) has completed an officers' transition audit for the Assessor/Recorder/County Clerk (ARCC). The OAAS conducts such an audit when County officers leave and assume office to determine if certain affidavits, authorizations, disclosures, and reports are properly completed and processed. These actions provide for an orderly transition of officers, establish proper accountability for public assets, and promote the County's General Management System (GMS) including its key disciplines of accountability, fiscal stability, regional leadership, and continuous improvement.

Accordingly, we audited the reports filed by the outgoing and incoming officers of the ARCC. Gregory J. Smith and David L. Butler were required to file outgoing and incoming officers' reports, respectively, as of December 31, 2008. The reports are the responsibility of the officer who signs them. Our purpose is to provide an opinion on the reports based upon our audit.

### **AUDIT SCOPE AND METHODOLOGY**

The audit scope was to determine whether the outgoing and incoming officers took appropriate actions and filed complete and reasonably accurate reports as County officers in compliance with California Codes and the County's regulatory requirements as explained in the instruction letter provided to each officer. Tests were performed in accordance with auditing standards prescribed by the Institute of Internal Auditors, Inc., as required by California Government Code, Section 1236 to determine if there is reasonable assurance that the information provided was accurately presented.

### **AUDIT RESULTS**

In our opinion, the outgoing and incoming officers filed complete and reasonably accurate reports in compliance with California law and the County's regulatory requirements in connection with an officer's transition, except for the following items:

#### **Finding I: Trust Fund Disbursements Could not be Validated**

OAAS tested two trust funds, Recorder Micrographics (#61315) and Recorder Modernization (#61318), and found that the ARCC did not have a documented process in place to demonstrate that the trust fund disbursements have been used in accordance with the disbursement use specified in the Auditor and Controller's Trust Fund/Agency Fund Update Application (TF/AF Application). According to ARCC staff, the total expenditures for each trust fund are manually calculated at year end, and supporting documentation is reviewed to ensure that the expenditures are used in accordance with the disbursement use in the TF/AF Application. The expenditures include salaries and benefits, contracts, and other items that cannot be easily retrieved from Oracle since there is no single low org set up to exclusively account for expenditures related to each trust fund. The ARCC then transfers the calculated amount at year end from the trust fund to the corresponding revenue account to fund those expenditures. However, OAAS was not able to obtain any documentation to verify that such year end review



takes place or to validate that the calculation is properly supported with invoices or other applicable documentation.

According to the County's Fiduciary Fund Accounting and Administrative Guide, each department is responsible for operational management of the trust funds it owns. The responsibility includes ensuring the integrity of internal controls for disbursements, and also ensuring that cash transfers are timely and that funds are reconciled regularly. In addition, the Auditor and Controller's Fiscal Year End Closing Manual requires each department to certify that the trust fund and agency funds have been reviewed and updated in the TF/AF Application, including disbursement use, transfer frequency, and reconciliation frequency.

**Recommendation:** Set up a low org for each trust fund to facilitate reconciliation of each trust fund in accordance with the frequency documented in the TF/AF Application. The reconciliation procedures should be documented and should include:

- Ensuring that the total expenditures for the reconciliation period are properly supported with documentation such as invoices and are in accordance with the disbursement use as specified in the TF/AF Application;
- Comparing the total expenditures to the recorded amounts in Oracle; and
- Resolving any discrepancies as they are identified.

#### **Finding II: Overstatement of the Capitalized Property Inventory Certificate Amount**

The ARCC reported 58 unsighted items with a total cost of \$1,064,555 on the Fixed Asset Reports for Property Charged But Not Sighted (Form 243) attached to the Capitalized Property Inventory Certificate. They included the items that have been:

- Traded in to purchase new items;
- Sent to Property Disposal; and
- Missing for 2 or 3 consecutive physical inventories.

Based on interviews with ARCC accounting staff and consultation with the Auditor and Controller's Department's Central Projects and Accounting Services (CPAS), OAAS found that most of the unsighted items no longer belong to the ARCC and should have been removed from the Oracle Fixed Asset Module (OFAM). The County's Administrative Manual states that the CPAS should be notified of any assets acquired using trade-ins to ensure that the new asset is recorded at its full value, the resulting gain/loss from the transaction is recognized, and the asset traded-in is removed from the inventory. It also states that assets that cannot be located in two consecutive triennial physical inventories should be deleted. However, the ARCC had not filed the Property Loan or Transfer Request (Form 253) with the CPAS to remove the applicable items from the inventory.

**Recommendation:** Review all unsighted items, consult with the CPAS, and file Form 253 to remove applicable items from the OFAM.



### **Finding III: Incorrect Location Code Recorded in Oracle for Some Capital Assets**

OAAS sighted several copiers and scanners at the ARCC's Kearny Mesa office even though the OFAM showed that they were located at the County Administration Center (CAC). According to ARCC staff, the Kearny Mesa office had additional capital assets that had been recorded in Oracle as located at CAC. The Fiscal Year-End Closing Manual requires that each department correct or enter location code numbers to correspond with the physical location of the property when conducting a triennial physical inventory. However, the ARCC had not filed Form 253 with the CPAS to change the location code of the items sighted at a facility other than CAC.

**Recommendation:** Identify all capital assets that are located outside CAC and file Form 253 to change the location codes in OFAM to match their actual locations.

### **Finding IV: Insufficient Recordkeeping to Support the "Minor Equipment and Books Inventory Certificate"**

OAAS selected several items from the Minor Equipment listing to verify the reported amount. Based on the testing, OAAS was unable to verify the value of the 105 workstations at the Kearny Mesa office reported at a price of \$2,000 each, totaling \$226,275. The ARCC could not provide OAAS with the appropriate acquisition documents to support the value. According to ARCC staff, the workstations were purchased by General Services through a project, and the ARCC never received a copy of the acquisition documents from General Services. The \$2,000 unit price was an estimate based on the cost of similar furniture purchased from the same vendor for the CAC remodel.

**Recommendation:** Obtain a copy of the appropriate acquisition documents from General Services or the vendor to ensure that the information on the Minor Equipment listing is properly supported.

## **COMMENDATION**

The Office of Audits & Advisory Services commends and sincerely appreciates the courteousness and cooperation extended by the Assessor/Recorder/County Clerk's officers and staff throughout this audit.

## **AUDIT TEAM**

Yuki Matsuura, Senior Auditor

**DEPARTMENT RESPONSE**





COUNTY OF SAN DIEGO  
OFFICE OF THE  
ASSESSOR/RECORDER/COUNTY CLERK

INTER-DEPARTMENTAL CORRESPONDENCE

July 15, 2009

To: Kenneth J. Mory  
Chief of Audits

From: David L. Butler  
Assessor/Recorder/County Clerk

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OFFICE OF AUDITS &  
ADVISORY SERVICES

**Response to Final Draft Report – Assessor/Recorder/County Clerk Officers' Transition Audit**

As requested in your memo dated June 30, 2009 relating to the transition audit conducted by your department, the following is the Assessor/Recorder/County Clerk's (ARCC) response to the audit findings and recommendations:

**Finding I: Trust Fund Disbursements Could Not be Validated**

OAAS tested two trust funds, Recorder Micrographics (#61315) and Recorder Modernization (#61318) and found that the ARCC did not have a documented process in place to demonstrate that the trust fund disbursements have been used in accordance with the disbursement use specified in the Auditor and Controller's Trust Fund/Agency Fund Update Application (TF/AF Application). According to ARCC staff, the total expenditures for each trust fund are manually calculated at year end, and supporting documentation is reviewed to ensure that the expenditures are used in accordance with the disbursement use in the TF/AF Application. The expenditures include salaries and benefits, contracts, and other items that cannot be easily retrieved from Oracle since there is no single low org set up to exclusively account for expenditures related to each trust fund. The ARCC then transfers the calculated amount at year end from the trust fund to the corresponding revenue account to fund those expenditures. However, OAAS was not able to obtain any documentation to verify that such year-end review takes place or to validate that the calculation is properly supported with invoices or other applicable documentation.

According to the County's Fiduciary Fund Accounting and Administrative Guide, each department is responsible for operational management of the trust funds it owns. The responsibility includes ensuring the integrity of internal controls for disbursements, and also ensuring that cash transfers are timely and that funds are reconciled regularly. In addition, the Auditor and Controller's Fiscal Year-End Closing Manual requires each department to certify that the trust fund and agency funds have been reviewed and updated in the TF/AF Application, including disbursement use, transfer frequency, and reconciliation frequency.



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July 15, 2009  
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**Recommendation:**

Set up a low org for each trust fund to facilitate reconciliation of each trust fund in accordance with the frequency documented in the TF/AF Application. The reconciliation procedures should be documented and should include:

- Ensuring that the total expenditures for the reconciliation period are properly supported with documentation such as invoices and are in accordance with the disbursement use as specified in the TF/AF Application;
- Comparing the total expenditures to the recorded amounts in Oracle; and
- Resolving any discrepancies as they are identified.

**Action to be taken by ARCC:**

*The ARCC had already recognized the critical need to establish individual low orgs for all trust funds under the ownership and control of the department. Discussions have already taken place with the appropriate program manager of these trust funds to implement the recommendation cited above. Allowable expenditures have been recognized and aligned with appropriate trust fund revenue sources. In addition to the two trust funds mentioned, separate low orgs will be created for all ARCC trust funds. Estimated completion date: December 2009.*

**Finding II: Overstatement of the Capitalized Property Inventory Certificate Amount**

The ARCC reported 58 unsighted items with a total cost of \$1,064,555 on the Fixed Asset Reports for Property Charged But Not Sighted (Form 243) attached to the Capitalized Property Inventory Certificate. They included the items that have been:

- Traded in to purchase new items;
- Sent to Property Disposal; and
- Missing for 2 or 3 consecutive physical inventories.

Based on interviews with ARCC accounting staff and consultation with the Auditor and Controller Department's Central Projects and Accounting Services (CPAS), OAAS found that most of the unsighted items no longer belong to the ARCC and should have been removed from the Oracle Fixed Asset Module (OFAM). The County's Administrative Manual states that the CPAS should be notified of any assets acquired using trade-ins to ensure that the new asset is recorded at its full value, the resulting gain/loss from the transaction is recognized, and the asset traded in is removed from the inventory. It also states that assets that cannot be located in two consecutive tri-ennial physical inventories should be deleted. However, the ARCC had not filed the Property Loan or Transfer Request (Form 253) with the CPAS to remove the applicable items from the inventory.

**Recommendation:**

Review all unsighted items, consult with the CPAS, and file Form 253 to remove applicable items from the OFAM.



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**Action to be Taken by ARCC:**

**Trade-In of Fixed Assets (8 items)** - A Form 253, Property Loan or Transfer Request, was submitted on April 13, 2009 requesting removal of these items from the ARCC's Fixed Asset Register Report.

**Fixed Assets Sent to Property Disposal** - These items have been sent to Property Disposal with the required Form 253. According to CPAS, these items remain on the department's inventory until such time as the fixed asset is sold or scrapped (41 items). ARCC Purchasing staff will work closely with Property Disposal and CPAS to determine the status of these items and whether they can be deleted from the department's Fixed Asset Register Report.

**Fixed Assets Reported as Missing for 2-3 Consecutive Physical Inventories** - The ARCC Purchasing Section will be submitting a Form 253 to remove all fixed assets that have been reported as "Unsighted" for two or three consecutive times (9 items). In addition to the required Form 253, a memo will be prepared to justify the removal of these items.

**Finding III: Incorrect Location Code Recorded in Oracle for Some Capital Assets**

OAAS sighted several copiers and scanners at the ARCC's Kearny Mesa office even though the OFAM showed that they were located at the County Administration Center (CAC). According to ARCC staff, the Kearny Mesa office had additional capital assets that had been recorded in Oracle as located at CAC. The Fiscal Year-End Closing Manual requires that each department correct or enter location code numbers to correspond with the physical location of the property when conducting a tri-ennial physical inventory. However, the ARCC had not filed Form 253 with the CPAS to change the location code of the items sighted at a facility other than CAC.

**Recommendation:**

Identify all capital assets that are located outside CAC and file Form 253 to change the location codes in OFAM to match their actual locations.

**Action Taken by ARCC:**

**On April 30, 2009, a Form 253, Property Loan or Transfer Request, was submitted to Central Projects and Accounting Services (CPAS). A Fixed Asset Register Report was attached noting the correct location codes for all of the ARCC's fixed assets.**

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**Finding IV: Insufficient Recordkeeping to Support the "Minor Equipment and Books Inventory Certificate"**

OAAS selected several items from the Minor Equipment listing to verify the reported amount. Based on the testing, OAAS was unable to verify the value of the 105 workstations at the Kearny Mesa office reported at a price of \$2,000 each, totaling \$226,275. The ARCC could not provide OAAS with the appropriate acquisition documents to support the value. According to ARCC staff, the workstations were purchased by General Services through a project, and the ARCC never received a copy of the acquisition documents from General Services. The \$2,000 unit price was an estimate based on the cost of similar furniture purchased from the same vendor for the CAC remodel.

**Recommendation:**

Obtain a copy of the appropriate acquisition documents from General Services or the vendor to ensure that the information on the Minor Equipment listing is properly supported.

**Action Taken by ARCC:**

*This issue is currently being addressed. Contact names of individuals that were involved with the Kearny Mesa capital project have been obtained and follow-up telephone calls have been made to obtain documentation relating to the acquisition of these workstations. In addition to staff from General Services, the vendor (Seal Furniture) will be contacted in an attempt to obtain these documents.*

The ARCC would also like to thank OAAS staff for the recommendations made and their patience during this audit process. If further information is required, please contact Karen Ochoa, Financial Policy and Planning Officer, at (619) 531-6249.

  
DAVID L. BUTLER  
Assessor/Recorder/County Clerk

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